

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 TRSY-02 FEA-01
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03
H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 CIEP-01 SS-15 ITC-01 USIA-06 PRS-01 SP-02
OMB-01 XMB-02 OPIC-03 OIC-02 /110 W
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R 041827Z FEB 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 0351
INFO USDEL MTN GENEVA
USMISSION EC BRUSSELS

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SUBJECT: MTN TARIFF NEGOTIATIONS

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1. ONE OF THE BRITISH GOVERNMENT'S CENTRAL OBJECTIVES IN THE MTN IS TO LIMIT THE DAMAGE TO BRITAIN'S RELATIVELY NON-COMPETITIVE INDUSTRIES THAT COULD OCCUR IF THE MTNS ARE TOO "SUCCESSFUL" IN FURTHER LIBERALIZING TRADE. THIS IS PARTICULARLY TRUE IN THE AREA OF TARIFF REDUCTIONS. THE BRITISH ARE LARGELY IN A DEFENSIVE POSTURE -- THEY ARE NOT OFFENSIVELY SEEKING MAJOR REDUCTIONS WHICH WOULD ENTAIL AS A COUNTERPART THE LOWERING OF THE CXT AND THEREBY REDUCE THE PROTECTION NOW AVAILABLE TO A NUMBER OF BELEAGUERED UK INDUSTRIAL SECTORS.

2. IN OUR VIEW, THE BRITISH ARE INCREASINGLY CONVINCED THAT THE MTN TARIFF DEAL OUGHT TO BE LESS DEEP-CUTTING AND SUBJECT TO MORE EXCEPTIONS THAN THE KENNEDY ROUND
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FORMULA. WHILE IT DOES NOT APPEAR THAT THE BRITISH ARE UNALTERABLY ATTACHED TO THE EC'S SPECIFIC TARIFF FORMULA, IT IS CLEAR THEY SEE THE EFFECT OF THE EC FORMULA AS FAIRLY GENEROUS AND WOULD RESIST A FORMULATION THAT WOULD RESULT IN GREATER OVERALL REDUCTIONS.

3. MUCH OF THE UK'S RETREAT FROM ITS TRADITIONAL LIBERAL

TRADING STANCE IS DIRECTLY ATTRIBUTABLE TO ITS DIFFICULT ECONOMIC CIRCUMSTANCES AND WE DO NOT EXPECT A SIGNIFICANT TURNAROUND IN 1977 -- THE TIME FRAME IN WHICH THE U.S. HOPES TO SEE SUBSTANTIAL PROGRESS TOWARDS REACHING A CONCLUSION TO THE MTN.

4. AGAINST THIS GENERAL BACKDROP, IT IS NOT SURPRISING THAT THE UK GOVERNMENT HAS APPARENTLY NOT DONE A GREAT DEAL RECENTLY TO IDENTIFY A WIDE RANGE OF ITEMS IN THE U.S. TARIFF ON WHICH THEY WILL PUSH STRONGLY FOR CONCESSIONS. IN THE PRIVATE SECTOR, IT IS OUR IMPRESSION THAT THE CONFEDERATION OF BRITISH INDUSTRIES (CBI) HAS NOT SERIOUSLY DEALT WITH THE SUBJECT SINCE 1973-74. A VERY FEW SPECIFIC INDUSTRIES HAVE COMPLAINED, PRIVATELY AND IN PUBLIC, ABOUT SOME HIGH U.S. TARIFFS, BUT THERE HAS CERTAINLY BEEN LITTLE GENERAL INTEREST SHOWN IN ATTACKING HIGH OR BURDENSOME U.S. TARIFFS.

5. HOWEVER, THERE ARE CLEARLY A NUMBER OF AREAS IN WHICH THE UK WILL HAVE A PRIORITY INTEREST AS IT CONTINUES TO DEVELOP ITS TARIFF NEGOTIATING STRATEGY, AS PART OF THE COMMUNITY'S OVERALL POSITION. THESE AREAS INCLUDE THE FOLLOWING:

(A) WOVEN WOOLEN FABRICS (TSUS 336.60). ON THE BASIS OF WHAT EVIDENCE WE CAN ADDUCE AS TO BRITISH INTENTIONS, THE HIGHEST BRITISH PRIORITY WILL BE ASSIGNED TO ACHIEVING A REDUCTION IN U.S. TARIFFS ON WOOLEN TEXTILES, WHICH NOW AVERAGE 44.1 PERCENT. TO OUR KNOWLEDGE, THIS IS THE ONLY PRODUCT FOR WHICH THERE IS STRONG POLITICAL PRESSURE ON LIMITED OFFICIAL USE

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THE GOVERNMENT TO OBTAIN TARIFF CONCESSIONS FROM THE U.S. THE WOOLEN TEXTILE INDUSTRY HAS CONSISTENTLY AND LOUDLY DEMANDED THAT SOMETHING BE DONE TO GET U.S. TARIFFS DOWN. THIS PRESSURE IS TRANSLATED DIRECTLY INTO THE BRITISH GOVERNMENT'S APPARENT POSITION WITH THE COMMISSION THAT U.S. REDUCTIONS ON WOOLEN TEXTILES MUST BE CONSIDERED AN IMPORTANT OBJECTIVE (WHILE REALIZING FULL WELL THAT THIS IS A MATTER OF LITTLE CONCERN TO OTHER COMMUNITY MEMBERS). THIS UK ATTITUDE IS PROBABLY A CENTRAL ELEMENT IN THE COMMISSION'S VIEW THAT TRUE HARMONIZATION CAN'T BE ACHIEVED IF THERE ARE NO REDUCTIONS IN THE TEXTILE AREA. WITH TRADITIONAL BRITISH UNDERSTATEMENT, UK OFFICIALS HAVE TOLD US THAT AN MTN PACKAGE WITHOUT SOME EASING OF THE WOOLEN TEXTILE TARIFF PROBLEM WOULD BE "CONSIDERABLY LESS ATTRACTIVE." THE RELATED CLOTHING PRODUCT OF MEN'S/ BOYS' WOOLEN WEARING APPAREL (TSUS 380.61) WITH AN AVERAGE U.S. TARIFF RATE OF 24 PERCENT, HAS ALSO BEEN THE SUBJECT OF SOME PRESSURE ON THE GOVERNMENT, BUT NOT

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NEARLY AS MUCH AS WOOLEN TEXTILES.

(B) TITANIUM (BTN 8104) (TSUS 629.15?). WHILE NOT IN THE SAME CATEGORY AS WOOLEN TEXTILES IN TERMS OF PRESSURE ON THE GOVERNMENT TO GET U.S. TARIFFS REDUCED, PARLIAMENTARY QUESTIONS HAVE BEEN RAISED DURING THE PAST YEAR ABOUT THE LACK OF SALES OF TITANIUM SHEETS TO THE U.S. THERE HAS APPARENTLY BEEN SOME SLACKENING IN THE PRODUCTION OF UN-FABRICATED TITANIUM SHEETS BY THE UK AIRCRAFT INDUSTRY. THIS HAS LED TO A COMPARISON OF EC AND U.S. TARIFF RATES (6 VERSUS 18 PERCENT) AND THE CONCLUSION THAT SALES TO THE U.S. COULD BE MADE IF THE TARIFF RATE WOULD SIGNIFICANTLY LOWERED. WITHOUT BEING ABLE TO CHECK WITH UK OFFICIALS, WE ARE NOT SURE HOW MUCH THE PARLIAMENTARY CONCERN WILL BE REFLECTED IN THE GOVERNMENT'S POSITION ON TARIFF CONCESSIONS, BUT IT IS AN AREA WORTH EXAMINING FOR A POTENTIAL TRADE-OFF.

(C) CERAMICS/CHINAWARE. THE FOLLOWING TWO ITEMS HAVE BEEN MENTIONED OCCASIONALLY BY UK OFFICIALS AS PRIME
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EXAMPLES OF CERAMIC/CHINAWARE PRODUCTS ON WHICH THEY WOULD LIKE U.S. TARIFFS REDUCED. THESE ARE BONE CHINA TABLEWARE USED FOR SERVING PURPOSES (BTN 6911) (TSUS 533.41?) WHICH CARRIES AN AVERAGE U.S. TARIFF RATE OF 17.5 PERCENT; AND EARTHENWARE/STONEWARE (BTN 6913) (TSUS 534.87?) WHICH IS CHARGED AN AVERAGE 10 PERCENT TARIFF BY THE U.S. WE ARE NOT AWARE OF MAJOR COMPLAINTS BEING RECEIVED BY THE UK GOVERNMENT ON THESE OR CLOSELY RELATED PRODUCTS, BUT IT IS AN AREA IN WHICH THE GOVERNMENT WOULD APPARENTLY LIKE TO MAKE SOME PROGRESS.

(D) SCIENTIFIC INSTRUMENTS. WE HAVE OCCASIONALLY HEARD THE GENERAL CATEGORY OF "SCIENTIFIC INSTRUMENTS" MENTIONED AS ANOTHER SECTOR IN WHICH U.S. TARIFF REDUCTIONS WOULD BE DESIRABLE. WE CANNOT IDENTIFY SPECIFIC BTN/TSUS NUMBERS, BUT THESE REMARKS MAY IN PART HAVE BEEN CONNECTED WITH THE 27.5 PERCENT AVERAGE U.S. TARIFF ON "WATCH PARTS" (TSUS 720.90).

(E) HIGH U.S. TARIFF ITEMS. IN ADDITION TO WOOLEN TEXTILES/APPAREL AND "WATCH PARTS" DISCUSSED ABOVE, THE ONLY OTHER SIGNIFICANT (OVER \$ 5 MILLION) UK EXPORT TO THE U.S. WHICH CARRIES A TARIFF RATE IN EXCESS OF 20.1 PERCENT IS CERAMIC TILES (TSUS 532.24). WE ARE NOT AWARE OF ANY INDUSTRY PRESSURE OR OTHER REASONS WHY THE UK GOVERNMENT WOULD WANT TO SEEK CONCESSIONS ON THIS PRODUCT.

6. SCOTCH WHISKY HAS BEEN MENTIONED BY BRITISH OFFICIALS AS A PRODUCT ON WHICH THEY WISH TO SEE IMPROVED ACCESS TO U.S. MARKETS. (IT REMAINS THEIR PRIME EXPORT TO THE U.S. AND THEY SUPPLY OVER 99 PERCENT OF U.S. IMPORTS.) HOWEVER, THE PROBLEM WITH SCOTCH WHISKY IS NOT THE TARIFF BUT THE WINE GALLON ASSESSMENT. AND FINALLY, THERE IS ASP. LIKE SCOTCH WHISKY, IT IS NOT A TARIFF ISSUE BUT THE COMPLAINTS WE HEAR HERE REFLECT SOME CONTINUING INTEREST IN GETTING RID OF ASP.

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